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CENTRAL INTELLIGENCE GROUP INTELLIGENCE REPORT

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1. Attached is a summary in translation of a 76-page, industry-by-industry survey of Austrian economy

2. Much of the information in the report is based upon German and Austrian data

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Extracts (Translation)THE ECONOMY OF AUSTRIA

The present report has the following aims:

1. Historical explanation of the Austrian economic structure.
2. Clarification of the changes in Austrian economy which took place during the years of the Anschluss.
3. Influence of military activities and the confiscation of captured property on the economic situation of the country.
4. Description of the condition of various branches of the national economy as of the end of 1945.
5. Influence of the partition into zones on the economic life of the country.
6. Explanation of the foreign-trade possibilities and needs of the country in the near future.
7. Possible ways and means of (exerting) our economic influence on Austria.

In view of the absence of complete data on the economic life of Austria during the war years--and especially at present--this report should be considered solely as a preliminary one.

General Preface

Contemporary Austria represents a small part of the former Austro-Hungarian Monarchy and cannot support any sort of closed-off, independent economy without close ties with the outside world, particularly with those neighboring countries which were formerly parts of Austria-Hungary.

Austria, formerly the commercial and industrial center of the Empire, has retained the character of an industrial state with a comparatively weakly-developed agriculture susceptible only of extremely limited possibilities of development.

In a large measure, industry is dependent on foreign trade since many industrial raw materials, because of the smallness of the land, are present only in small quantities or are completely lacking.

Before the war, profits from the highly developed tourist trade made up for the deficiencies in agricultural products and essential industrial raw materials, and thus served to cover the permanently unfavorable foreign trade balance.

From this it is clear that Austria was not, and henceforth cannot be, an economically independent country.

Physical Data on the Land (page 2)

(nothing extracted)

Data on the Employed Population (page 3)

(nothing extracted)

Natural Resources, etc. (page 4)

At the present time, as a result of the war and the confiscation of industrial equipment, production possibilities have been radically changed.

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Reduction: aircraft construction, automotive construction, machinery production, timber and animal husbandry.

Increase: production of oil and pig iron.

If the fuel and production problems are solved, the remaining production can, in a short time, reach the pre-war level.

Agriculture (page 6)

(nothing extracted)

Food Supply (page 11)

(nothing extracted)

Electricity Supply (page 15)

(nothing extracted)

Coal (page 17)

Without a solution of the fuel problem there can be no discussion of the economic reconstruction of Austria.

Oil Industry (page 19)

Before the Anschluss, Austria imported petroleum products, but now she is in a position not only to cover her own requirements but to export considerable quantities of these products.

Between April and August of 1945, a great part of the drilling equipment, pipes, spare machinery, and material was carried away by us as booty. Similarly, the equipment of several refineries and gas plants was dismantled.

By January 1946, the Soviet Petroleum Administration had restored 205 wells, of which 181--with an average daily production of 1,650 tons--are in operation.

Oil is the most important lever by which (our) influence can be exerted not only on the Austrian economy but on the economies of the neighboring countries as well--particularly Czechoslovakia.

In order to reduce Austria's requirements of imported coal and to strengthen our influence on the economic life of the country, it is planned to convert to Diesel oil part of the transportation facilities and part of the industry in Vienna and Lower Austria.

The most important question of the near future is the final settlement of our claims to former German petroleum assets.

25X1 Discussions on the formation of a Soviet-Austrian petroleum corporation--which would have afforded a firm base for our possession of the oil--were cut off

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Timber Industry (page 21)

(nothing extracted)

Iron Ore (page 23)

(nothing extracted)

Magnesite and Salt (page 24)

The Allies exploit their salt monopoly in order to extort petroleum products from us.

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Metallurgy (page 26)

The (Hermann Goering) works in the American Zone have not been dismantled. This plant is of a purely military character, having been built within the framework of the Nazi Reich and has absolutely no roots in the Austrian economy.

Within the framework of post-war Europe it will find neither raw material (coking coal) nor markets.

We completely dismantled all new equipment in the metallurgical enterprises of Styria and Lower Austria, thus bringing their capacity down to the level of 1937 and somewhat lower.

The ALPIN-MONTEAN Co., next to the oil industry, occupies the key position in the Austrian economy. It would be desirable, therefore, to find enough coke--even if only for one furnace--so that it could be loaded with orders from us. ... Naturally such an order ... is possible only if the question of the demarcation lines is solved. As far as the (Hermann Goering) plant is concerned, it is desirable to obtain the decision of the Allied Council to liquidate it and hand over its equipment to us as reparations. For this, the agreement of the Americans is unconditionally necessary.

The equipment of the (unfinished) zinc plant in Berg was completely dismantled by us.

The light-metal rolling-mills ... in Berndorf and Amstetten were completely dismantled by us.

Metalworking, Machine-Building, and Electrotechnical Industries (page 30)

During the period of work of the organization of the Plenipotentiary of the Special Committee and of the representatives of the industrial Commissariats, a total of 63,778 pieces of equipment were dismantled from 208 industrial enterprises and sent to the Soviet Union.

Since the newest and most modern equipment was dismantled, the remaining production capacity can be characterized as being at the level of 1938 and even somewhat lower. This does not apply to the following branches of industry, where the dismantlement process was carried to near or total completion: aircraft construction, armaments, electro-technical, automobile, and locomotive construction.

Chemical Industry (page 40)

During the dismantling of war plants in Austria, the sulphuric acid plant in Moosbierbaum was dismantled.

... It would be possible to reconstruct a number of the shops (in the Moosbierbaum plant) without going to great expense ... but there is no one to rebuild the factory, since the question of its future is not clear. There has, so far, been no decision to confiscate it in the interests of the Soviet State, as the grounds are at present occupied by the Soviet Petroleum Administration. This matter should be cleared up as soon as possible.

Condition of the Rubber Industry in Austria (page 45)

The Austrian rubber industry is the SEMPERIT Co. Before 1945 the firm had three plants, in Engerau, Traiskirchen, and Wimpassing. The Engerau plant has naturally been lost, since it was in Czechoslovakia.

At one time, American capital played a role in the Company. The directors now deny its presence, but it is impossible to consider this question as cleared up. In the same way, the question of German capital investment in the shares of this firm has not been studied.

(The plant in Traiskirchen) was 80% dismantled. The equipment remaining, however, is capable of producing 250 automobile tires and tubes and 300 bicycle tires and tubes per day.

(The former German sources of raw material are no longer available.) The SEMPERIT Co.,

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therefore, must find new sources of supply. The USSR could occupy the commanding position in the Austrian rubber industry if it supplied the raw materials.

(The factory in Wimpassing) was 70% dismantled ... During the dismantling process the equipment of the reprocessing shop was dismantled, so that now Austria has no possibility of reprocessing old rubber.

The Allied Commission, occupying itself with the question of supplying these factories with raw materials, brought up unsuccessfully the matter of dismantling some reprocessing shop in Germany and turning it over to Austria.

At the present time the plant in Wimpassing is filling a Red Army order for men's galoshes and women's boots in the quantity of 60,000 pairs.

The Austrian Glass Industry (page 49)

(nothing extracted)

Cellulose and Paper Industry (page 52)

As an article of trade with the Soviet Union, Austrian paper has great interest, especially since, on the base of the Vienna printing industry, a great part of it could be processed here into books, textbooks, etc.

Textile Industry (page 55)

At present Britain and America are fighting strongly against the activation of the artificial cloth industry because they want to keep Austria dependent on their supply of natural raw materials. Before the war this supply was almost the sole lever (exclusive of the tourist trade) by which these countries could exert economic influence on Austria. The artificial cloth industry is a serious threat to the further influence of the Anglo-Americans in Austria. It would be extremely desirable to support the artificial cloth industry with fuel, chemicals, and our orders.

Domestic Trade (page 58)

(nothing extracted)

Foreign Trade

Before going on to an analysis of the future foreign trade ties of Austria, it should be noted that, despite the strengthened activity of the western Allies towards economic penetration of Austria, they do not have the same possibilities as have the eastern countries.

(Here there is a long quotation from the London Economist, ending with the following statement:) "The Austrians, after all, can find a place for themselves in the Eastern system. They can refuse close Western ties. But one thing is quite clear: they can no longer remain divided between two systems."

Thus, by the admissions of an English organ inimical to us, Austria is naturally more drawn in its ties to the countries of eastern Europe. But the Anglo-Americans (nevertheless) intend to fight with increased vigor for their economic influence in Austria.

Exploiting our complete passivity, the Allies are flooding Austria with trade and industrial delegations and, concealing their activity from us, are carrying on unofficial negotiations with various firms and are organizing mixed trading corporations.

In addition, they are vigorously encouraging the forming of commercial ties between Austria and the western countries. Thus, for example, the Americans permitted trade agreements between their zone and Germany totalling 16 million Schillings, and with Italy, totalling 5 million Schillings. The English authorities have permitted trade agreements with Switzerland and Germany.

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At present, the Americans are preparing an Austrian trade delegation which will be sent to America to set up trade relations.

The fact that there are trade agreements between the occupation zones and England and America is being concealed from us. Since the English partly, and the Americans completely, refused UNRRA aid for their zones, it must be assumed that they intend to cover their food deficits through the organization of trade.

Taking these facts into consideration, it can be said that the Allies are carrying on vigorous activity aimed at making Austria economically dependent.

With our sanction, the Austrian Government entered into a trade agreement involving 43 million Schillings with Czechoslovakia on 15 December. In Vienna, at present, there are trade delegations from Hungary and Yugoslavia.

... The organization of our trade delegation is under way.

General Survey of the Economic Structure of the Zones

(nothing extracted)

Conclusions (page 71)

Analyzing the above-treated data on the condition of the Austrian economy, the following conclusions can be drawn:

(a) On the Zonal Partition (we are concerned only with economic frontiers).

In treating the question we must start from the following factors:

1. The presence in the Allied zones of almost all the Austrian sources of industrial raw materials, coal, and electric power--resulting in the dependence of industry in our zone on their zones for raw materials and electricity.
2. The following branches of industry in the Allied zones retain all their potentialities: ore, magnesite, timber, paper, metal. In our zone, however, certain branches of industry, such as metal-working, textile goods, fashion and luxury trades, are paralyzed as a result of their dependence for raw materials on the Allied zones and on imports.
3. Preservation of the economic apparatus in the Allied zones in a state practically untouched by the war.
4. Evacuation to the western regions of the country of reserves of goods, food, agricultural machines, and farm animals at the time when the Red Army entered Austria.
5. Expropriation from our zone of important valuables (primarily industrial equipment and finished goods) as captured German property.
6. A considerably smaller part of the population in the Allied zones is dependent on public relief.
7. The volume of construction and reconstruction work is extraordinarily large in our zone, and insignificant in the zones of the Allies. For the necessary materials--metal, cement, etc.--we are dependent on them.
8. The presence in our zone of oil, which is lacking in the Allied zones.

From this it follows that:

- a. In respect to supplying the needs of their populations from their own

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resources, the zones of the Allies are in a better position than ours.

- b. If the zonal boundaries remain, the Allied zones have a better chance than ours of developing their economies independently.
- c. The carrying out of reconstruction work in our zone depends on the Allied zones.
- d. To a greater degree than our zone, the zones of the Allies can influence the direction which Austrian foreign trade relations will take. If the partition of Austria into zones is retained, it will be difficult for us to give the desired direction to Austrian foreign trade policy.
- e. The existing situation (retention of the zonal boundaries) will, in the future, inevitably lead to the strengthening and growth of new economic ties between Austria and the western countries, particularly Italy, Switzerland, and Bavaria, which will paralyze the Viennese industrial complex.
- f. The most powerful lever by which we can exert our influence on the Austrian economy is the fact of our possession of the oil. Our possession must be legally strengthened, even at the expense of making concessions in other economic questions. Thus, in the interest of raising the economy of our zone, and (in the interest) of the possible economic orientation of Austria in the future, the zonal barriers should be immediately abolished.

(b) Concerning Future Economic Influence on Austria

The following basic factors will determine the future orientation of Austria:

1. The historical ties of Austria's economy with the countries of south-eastern and central Europe--Czechoslovakia, Poland, Rumania, Hungary, and Yugoslavia.
2. The fact that Austria's chief foreign trade partner, Germany, is now out of the running. For us it is undesirable that any sort of ties be formed again between Austria and Germany.
3. The fact that in the past there was insignificant trade with the western countries--based almost exclusively on the importation from them of wool and cotton and the exportation of magnesite and articles of fashion.
4. The decisive factor in Austria for the western countries was, and obviously will be, the tourist trade.
5. The decisive factor for eastern influence in Austria was, and obviously will be, the export to Austria of coal and food (primarily wheat).
6. The possible strengthening of ties with the west through importation of machinery and chemicals (to replace the products formerly imported from Germany or derived from Austria's own now-liquidated industry). Also, the possibility of the temporary winning-over by the west of the Austrian wheat market as a result of the agricultural decline of Austria's old eastern partners.
7. Under complete realization of the Berlin decisions we shall have oil and the machine-building industry (the latter extremely weakened), and the Allies will have the country's metal and coal.
8. It should be borne in mind that, because of the special role played by German capital in the Austrian economy, the bringing into force of the appropriate Berlin decisions will meet the strongest opposition from both of the large political parties and from any possible Austrian Government.

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9. The most probable articles of export from Austria in the near future will be: timber, paper, lenses and optical instruments, construction and quality metal (on condition that coke and coking coal are brought in), and finished textiles (on condition that raw materials and chemicals are brought in).

Apart from wheat and fuel, Austria will have a critical need for, primarily, raw materials for textiles, chemicals and dyes, certain metals, and industrial equipment.

On this basis, the following conclusions can be reached for the long-term strengthening of our influence in Austria:

- a) It is essential in all ways to encourage trade relations with Czechoslovakia, Yugoslavia, Hungary, and Poland, in order to counter-balance the ties with the west.
- b) It is desirable for us to take over complete control of supplying Austria with wheat and coal.
- c) It is essential that, in the shortest possible time, we achieve legal recognition of our possession of the former German oil in Austria.
- d) It is desirable that in no case shall the ALPIN-MONTAN Co. fall into the hands of the Anglo-Americans—even if this requires giving up our rights to German electrical and machine-building enterprises (including those which have in large part been dismantled). The ALPIN-MONTAN Co. can be made dependent on us if we supply it with coke, chrome, and manganese, and if we load it down with orders to fill for us.
- e) It is desirable to seek out possibilities of supplying the artificial cloth industry with the necessary chemicals (primarily, sulphuric acid, carbon, and caustic soda) and at the same time to bring in wool, cotton, leather, and dyes, in order to prevent Austria's dependence for these materials on the western countries.
- f) It is desirable to buy in Austria: paper, manufactured goods, magnesite, iron and steel, lenses, and certain precision instruments. It is not possible to count on buying any large quantities of machinery.
- g) It is essential to obstruct the infiltration of Anglo-American capital by buying shares in, and obtaining the financial support of, individual Austrian firms.

(c) On the Military-Economic Potential of Austria

In considering this question, the following should be borne in mind:

1. Our expropriation and sending off (to the Soviet Union) as booty of almost all metal-working machinery and of a considerable part of the chemical equipment of Vienna, Lower Austria, and Styria. As a result of this, the following branches of industry can now be considered as completely liquidated: aircraft construction, tank construction, armaments. The following have been brought down to a minimum level: locomotive construction, automotive construction, electrotechnical, chemical, rubber, and general machine-building.
2. The expropriation by us from the metallurgical and mining industries of these provinces of all new machinery aggregates, and the consequent lowering of industrial capacity to a level somewhat below that of 1937.
3. The leaving by us untouched of the buildings, communications, and a considerable part of the handling and transport equipment of the above-listed industries.
4. The presence of the unfinished coke, chemical, and metallurgical combine in Linz—which alone, when in full operation, would be capable of tripling

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the capacity of the Austrian metal-working industry.

5. The presence in the zones of the Allies of several war plants now converted to "peace-time production" but not dismantled.

On the basis of what has been set forth above, the following conclusions can be reached:

a. It is essential by all possible means to achieve the liquidation of the metallurgical combine in Linz, which is not needed in Austria's peace-time economy. It is desirable to buy its most modern equipment and then blow up the buildings.

b. It is essential to obstruct the reconstruction of the electrical and machine-building industries beyond a level adequate to supply Austria's internal needs. For this, the buying of these products by us should be encouraged, and, by the same token, the Allies should not be permitted to bring in capital or equipment.

c. It is desirable to buy raw metal in Austria in as large quantities as possible so that there will be no stimulus to develop the metal-working industry.

d. It is desirable to take over the supplying of Austria with essential chemicals and, at the same time, not to permit the Austrians to establish their own chemical industry.

e. It is desirable to win over the maximum number of important Austrian scientists and technicians to work either in the Soviet Union or here, under our orders.

f. Fundamentally, it can be considered that the military-industrial potential of Austria for the next few years has been sufficiently lowered. It is essential, however, to watch attentively that no branch of industry raise itself above the level of 1937. At the same time, we can encourage the development of light industry, so that Austria can compensate for her losses through the export of manufactured goods.

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